EVALUATION OF THE

BUSINESS INCENTIVE POLICY

FIRST REPORT: THE PROCESS

Northwest Territories

Priorities and Planning Secretariat
Department of the Executive
Government of the Northwest Territories
June 1987

EVALUATION OF THE

BUSINESS INCENTIVE POLICY

FIRST REPORT: THE PROCESS

prepared by:

Priorities and Planning Secretariat
Department of the Executive
Government of the Northwest Territories
June 1987

EXECUTIVE SUMMARY

The Business Incentive Policy provides for the adjustment of contract bids from qualified Northern Contractors in order to promote the use of Northern labour and materials purchased in the North, and to encourage the development and competitiveness of Northern businesses.

The Policy, as revised February 28, 1985, stipulates that a review will be conducted within two years. In the 'Interim Report on the Business Incentive Policy' tabled in the February, 1986 sitting of the Legislative Assembly, the then Minister of Government Services, the Honourable Tom Butters, identified the Priorities and Planning Secretariat as the lead agency in conducting the review of the Policy.

The final report on the evaluation has been divided into two parts. The first part - the subject of this document - describes the history of the development of the current Business Incentive Policy, and the process that was followed by the Priorities and Planning Secretariat in undertaking the evaluation. The second part of the final report will be available in late July, and will cover the tendering and contracting practices of the major users of the Policy (Government Services, Public Works and Highways, and the NWT Housing Corporation), as well as the results and recommendations arising from the evaluation itself.

The evaluation was conducted in four steps:

1. the preparation of an 'Evaluation Assessment Report' which focussed on the issues to be evaluated, the information - or data - that should be collected, and how this information should be analysed;

2. the preparation of the Terms of Reference to guide the evaluation, for submission to the Priorities and Planning Committee;

3. the collection and analysis of readily available information on tendering and contracting; and

4. a survey of the NWT business community - as well as some Southern-based contractors - in order to determine the impact, if any, of the Policy, and to seek opinions on the Policy itself.

An Evaluation Study Team was formed in order to provide input in assessing the major issues to be evaluated, and to review the progress of Secretariat Staff on a regular basis.

The Study Team is comprised of representatives from:

Priorities & Planning Secretariat - Chair
Public Works and Highways
NWT Housing Corportation
Government Services
Economic Development & Tourism
Finance

The evaluation issues identified in the assessment were:

1. the type and magnitude of **benefits** that have resulted from implementation of the Policy;

2. the type and magnitude of **costs, both direct and indirect**, of the Policy;

3. the desirability of continuence of the Policy; and

4. the changes required, if any, in the provisions of the Policy and/or the current delivery system.

In order to examine the issues of direct costs and benefits that may have resulted from the Policy, information was collected from two basic sources: annual contracts reports published by the major users of the Policy; and contract tendering information maintained by each department and agency. As part of the administration of the Policy, the Executive Council directed that records be kept respecting the number and value of contracts awarded to approved Northern contractors versus Southern contractors, and contracts awarded on the basis of application of the provisions of the Policy. The annual contracts reports provided this information directly.

The evaluators were also interested in such factors as bidding patterns, the percentage distribution of Northern and Southern businesses in bidding for GNWT contracts, the competitiveness of Northern businesses, and how these factors have changed over time. In order to collect this information, tender files were examined. A tender file contains the names, origin (North/South), and bidprices of all businesses competing for an individual GNWT contract. Since the major users tendered approximately 17,000 contracts in 1985/86 alone, a sampling process was design by the GNWT Bureau of Statistics in order to reduce the workload, yet still provide a high level of accuracy in data collection and analysis.

The co-operation of Regional and Headquarters staff in locating and remitting tender information was excellent. All information was placed in a database maintained on a microcomputer in the Secretariat offices. Computer programs were developed to analyse the collected information, and report on the factors mentioned above.

In order to uncover evidence of indirect benefits, such as employment creation, increased income, and increases in capital investment, a survey of the NWT business community will be undertaken. As of the date of this report, a draft questionnaire has been prepared, and pre-tested on fifteen Yellowknife-based businesses. The comments of these businesses have been taken into consideration in preparing the final version. Approximately 100 Northern and 100 Southern firms which have received GNWT contracts will be surveyed. Again, sampling procedures were developed with the assistance of the Bureau of Statistics, using the names of the businesses contained in the collected tender information. However, the survey will not be limited to statistics. The evaluators are also interested in the perceptions about, and opinions of, the Policy held by members of the business community. In addition, Chambers of Commerce, the NWT Business Council, and the NWT Construction Association will be asked to provide their views on the Policy.

The results of the data analysis and business survey will be published in a separate report, available in late July.

TABLE OF CONTENTS

1	**INTRODUCTION**	**Page 1**
2	**FIRST STEPS IN THE EVALUATION PROCESS**	**2**
	Study Team Evaluation Assessment Assessment Objective Assessment Methodology Evaluation Issues Evaluation Constraints Evaluation Approach	
3	**DEVELOPMENT OF THE CURRENT POLICY**	**8**
	Identification of Need Historical Background to October 1982 Principles Governing Northern Preference Amendments to the Northern Preference Policy	
4	**ADMINISTRATION OF THE POLICY**	**13**
5	**RELATED POLICIES, DIRECTIVES, INITIATIVES**	**14**
	Use of Commercial Accomodation Selection of Architectural/Engineering Services Local/Northern Involvement Reporting Local/Northern Employment Privatization Policy Leasing of Improved Real Property Timing of Payments Directive	
6	**POLICY INITIATIVES IN OTHER JURISDICTIONS**	**17**
	Public Sector Purchasing Intergovernmental Task Force on Barriers to Interprovincial Trade	

7	**ECONOMIC OVERVIEW**	18
8	**PHASE ONE DATA COLLECTION PROCEDURES**	19
	Content Methodology	
9	**PHASE ONE DATA ANALYSIS PROCEDURES**	21
	Summary Contract Information Sample Bidding Information Income Tax Analysis	
10	**BUSINESS SURVEY DESIGN**	23
	Survey Objectives Phase Two Sampling/Analysis Procedures	
11	**CONCLUSION**	24
12	**APPENDICES**	
	Example of the Bid Adjustment Process Members of Evaluation Study Team Terms of Reference Registration Application Form Data Sources Data Entry Form Business Survey Questionnaire	

1 INTRODUCTION

The Business Incentive Policy provides for the adjustment of contract bids from qualified Northern Contractors in order to promote the use of Northern labour and materials purchased in the North, and to encourage the development and competitiveness of Northern businesses.

Bid adjustments (see Appendix 1 for an example) are applied to that portion of a contract that will be carried out by a northern contractor, according to the following scale:

for contracts less than $5,000, a twenty (20%) per cent adjustment;

for contracts between $5,000 and $1,000,000, a ten (10%) per cent adjustment is applied;

for contracts between $1,000,000 and $2,500,000, the first $1,000,000 is adjusted by ten (10%) per cent, and the balance is adjusted by five (5%) per cent; and

for contracts over $2,500,000, a maximum adjustment of $175,000 is applied.

The provisions of the Policy apply to all contracts entered into by departments and territorial agencies of the Government of the Northwest Territories for:

1. the Supply of goods;
2. Construction of buildings and other facilities;
3. Service Contracts; and
4. Leases.

The provisions of the Policy **do not apply** to contracts for:

1. Legal Services;
2. Architectural and Engineering Services; and
3. those portions of contracts funded by agencies other than the Government of the Northwest Territories, where the funding conditions disallow the application of an incentive.

The Policy, as revised February 28, 1985, stipulates that a review will be conducted within two years. In the 'Interim Report on the Business Incentive Policy', prepared by Government Services and tabled in the February, 1986 sitting of the Legislative Assembly (Tabled Document 39-86-(1)), the then Minister of Government Services, the Honourable Tom Butters, identified the Priorities and Planning Secretariat as the lead agency in conducting the review of the Policy.

The final report on the evaluation has been divided into two parts. The first part - the subject of this document - describes the history of the development of the current Policy, and the process that was followed by the Priorities and Planning Secretariat in undertaking the evaluation of the current Policy. The second part - available in late July - will describe:

-policy initiatives in other jurisdictions;

-trends in the Northwest Territories economy which are pertinent to the subject matter under evaluation;

-the tendering, bid evaluation and contracting practices of Government Services, Public Works and Highways, and the NWT Housing Corporation;

-the results of the evaluation; and

-recommendations

2 FIRST STEPS IN THE EVALUATION PROCESS

2.1 Study Team

An Evaluation Study Team was established in order to:

-provide input in assessing major evaluation issues and methods;

-make recommendations to the Minister of Government Services respecting the set of issues that will comprise the focus of the Evaluation Study; and

-to review the Evaluation Study Terms of Reference prior to submission to the Priorities and Planning Committee.

The Study Team (see Appendix 2) is comprised of representatives from:

Priorities & Planning Secretariat - Chair
Public Works and Highways
NWT Housing Corporation
Government Services
Economic Development and Tourism
Finance

2.2 Evaluation Assessment

An evaluation assessment is normally the first step in a comprehensive evaluation. The focus of attention is on the 'evaluability' of the Policy, that is:

-what issues should the evaluators look at?

-does the Policy have clear, measurable objectives?

-is there some output, believed to be caused by the Policy, which can be measured?

-how should this output be measured?

-how does this output relate to the issues?

An Evaluation Assessment Report was prepared to answer these questions and is summarized in the following sections.

2.2.1 Assessment Objective

The objective of the Evaluation Assessment was to determine the appropriate focus and approach of the Evaluation Study.

2.2.2 Assessment Methodology

The Evaluation Assessment was undertaken in six steps during the period September 15 to November 30, 1986:

1. Preparation and review of a plan for undertaking the Evaluation Assessment phase of the review;

2. Interviews with each member of the Evaluation Team in order to determine the objectives, impacts, and effects of the Policy from the perspective of users of the Policy;

3. Determination of relevant concerns that could be presented in the Evaluation Study, in terms of the background or context of the Policy;

4. Determination of the relevant issues;

5. Determination of the constraints to evaluation of the relevant issues; and

6. Preparation of the Evaluation Study Terms of Reference.

2.2.3 Evaluation Issues

The evaluation issues identified in the assessment were:

1. the type and magnitude of **benefits** that have resulted from implementation of the Policy; benefits could be defined as positive contributions to the economy of the Northwest Territories, such as employment creation, increased use of materials purchased in the North, and business growth;

2. the type and magnitude of **costs**, **both direct and indirect**, of the Policy; the direct costs of the policy would be the benefits actually paid by application of the Policy, as well as the costs of administration; the indirect costs of the Policy could be defined as the increases in the costs of goods and services resulting from possible reductions in competition, or otherwise permitting inefficiencies to exist in the marketplace;

3. the desirability of continuence of the Policy; and

4. the changes required, if any, in the provisions of the Policy and/or the current delivery system.

2.2.4 Evaluation Constraints

The ideal situation for undertaking an evaluation would have objectives which are specific, attainable, and measurable; data which are comprehensive, complete, and easily obtainable; and cause-effect linkages between policy objectives and observed impacts that are clear and direct. In this ideal situation, a number of evaluation options could be generated, where each option represents a set of issues to be addressed in the evaluation and the methodology required to evaluate such a set of issues. The recommended option would represent the most acceptable trade-off of decision-making usefulness and cost.

In the case of the Business Incentive Policy, there are two major constraints that not only limit the determination of good evaluation options, but could also affect the validity of conclusions drawn from the evaluation process itself. These are the **availability of good data**, and the existence of **factors other than the Business Incentive Policy** which may, in fact, more strongly influence the observed impacts and effects.

2.2.4.1 Data Availability

A very brief review of the summary contract reports prepared by Public Works and Highways, Government Services, and the Housing Corporation (the primary "users" of the Policy) indicates that there are four broad categories of contract tenders:

1. those in which the bid of a Northern firm is lower than that of a bidding Southern firm;

2. those in which the bid of a Southern firm is lower than that of any Northern firm even after application of preference;

3. those in which the bid of a Northern firm is lowest after application of preference; and

4. those in which no Southern firms are bidding.

In the previosly mentioned 'Interim Report on the Business Incentive Policy to December 31, 1985', contracts awarded on the basis of preference are summarized as follows:

Public Works and Highways	4	contracts out of	615
Government Services	166		23,652
Housing Corporation	0		665
Totals	170		24,932

In other words, less than one per cent of the contracts in the reported period were awarded by application of the Policy. Analysis of such a small segment of total contracts will not provide meaningful insights. The evaluators must look at the other contract tender categories in order to analyse and draw inferences regarding the impacts and effects of the Policy.

It is the fourth category (tenders from Northern firms only) that poses the greatest difficulties, particularly in terms of measuring the indirect costs of the Policy. The mere existence of the Business Incentive Policy has discouraged some Southern firms from bidding, based on correspondence received by the Departments using the Policy. However, measuring the cost of Southern firms not bidding will be a difficult task. The degree to which the February, 1985 amendment to the definition of a Northern Contractor affected bidding, separate from the policy in general, will further complicate the task.

2.2.4.2 Other Factors

In attempting to determine the relationship between the Policy and its presumed benefits, the evaluators had to be aware of the importance of other factors which may have been responsible for the observed results.

The following listing gives some idea of such factors, in terms of the Policy's objectives:

Employment:	EDA and Special ARDA Apprenticeship training labour force mobility
Use of Northern-purchased materials:	commodity group tendering emergence of local Housing Authorities and their purchasing methods
Development of Northern business:	EDA and Special ARDA splitting supply/ship/erect contracts general economic conditions
Competition:	NWT payment procedures contract size availability of financing local knowledge

In summary, the evaluators had to consider that:

1. any benefits presumed to be linked to the Policy may have resulted from other factors at work; and

2. the indirect costs of the Policy would be difficult to ascertain.

2.2.5 Evaluation Approach

The Evaluation Study Terms of Reference (see Appendix 3) approved by the Executive Council on December 11, 1986 (Record ofDecision 86-20-15). In order to minimize the effects of the identified constraints, a **two-phased approach** was employed:

Phase One

-develop a database of information **which is readily available** in GNWT records, statistical publications and legal registries, and which relate, in some way, to the direct benefits and costs of the Policy;

-the period to be covered is 1982/83 to 1986/87: this period was chosen to give a base year (1982/83), two year's data (1983/84, 84/85) while the Northern Preference Policy was in effect, and two years of the Business Incentive Policy

-analyse the collected data in order to **identify significant trends and presumably valid linkages** with the Policy

-identify groups of companies associated with the significant trends and linkages

Phase Two

-develop a database of statistics and opinions - by surveying the identified companies - which relate to the value-added benefits and indirect costs of the Policy

-analyse the collected data in order to identify linkages between the reported value-added benefits and indirect costs of the Policy

-undertake any other analyses which may become apparent or desirable based on the results of Phase One

3 DEVELOPMENT OF CURRENT POLICY

3.1 Identification of Need

Throughout the history of the development of the current Policy, some fundamental premises have guided the policymakers in their deliberations:

1. GNWT expenditures for goods and services can have a significant impact on business development in the NWT;

2. The cost of doing business solely in the North is higher than in the South; after consideration of the higher costs, Northern businesses can be competitive with Southern counterparts.

3. It is in the best interest of the Northwest Territories for Northerners to obtain a high an employment rate as possible.

4. A policy respecting preference in purchasing goods and services would not supplant a continuing need for the GNWT to advise and assist Northern businesses on a case-by-case basis.

3.2 Policy Development: Historical Background to October, 1982

October, 1974	A Task Force is struck by the federal Minister of Indian Affairs and Northern Development to study the problems encountered by Northern businessmen in obtaining federal contracts. The Task Force consists of ten businessmen from the Yukon and Northwest Territories. The Task Force recommends a 10% preference for bids from Northern businessmen on federal contracts valued at less than $500,000; and a 5% preference for contracts greater than $500,000. The federal Treasury Board rejects the recommendation.
June, 1976	Executive Committee recommends the establishment of Northern Preference for Capital Construction projects (Record of Recommendation 76-20-2)

June, 1976 cont'd

A maximum adjustment of 10% is applied to bids from Northern Contractors of less than $500,000; and a maximum of 5% on bids greater than $500,000. This is similar to the 1974 Task Force recommendation. A 'Northern Contractor' is defined as "one whose business is registered and carried out in the Northwest or Yukon Territories, and whose principal(s) are resident therein".

June, 1981

Purchasing Policy 15.01 is promulgated. Tendering for goods valued at less than $5,000 is restricted to the NWT in all cases where the required goods are available in the NWT. For goods valued in excess of $5,000, a distinction is made between destinations on the highway system, and destinations off the highway system. For goods with a value greater than $5,000 destined for a community off the highway system, a maximum adjustment of 10% is applied to bids received from Northern Suppliers.

A 'Northern Supplier' is defined as:
- -registered to carry on business in the NWT;
- -maintaining an office in the NWT;
- -contributing to the economy of the NWT by employing NWT residents, and maintaining an inventory of goods in the NWT.

June, 1982

Responding to concerns that preferential purchasing is not being applied consistently, and with little success in terms of fostering the growth and development of a viable NWT business community, a Special Committee on Northern Contracting Preference is struck to develop an Options Paper on preference for consideration by the Executive Committee.

Options were to be developed for achieving the objectives of promoting the use of Northern labour and materials, and encouraging competitive business development in the NWT.

June, 1982 cont'd — In particular, the Special Committee was asked to consider: the principles for policy development; definition(s) of a Northern contractor; and the type and amount of preference to be applied to tenders for GNWT contracts.

October, 1982 — On the basis of the recommendations of the Special Committee, Purchasing Policy 15.01 and Record of Recommendation 76-20-2 are rescinded, and the Northern Preference Policy is promulgated (Record of Recommendation 82-31-4).

For contracts of $250,000 or less, a maximum adjustment of 10% is applied to the bid of a Northern contractor or supplier. Northern bids on contracts between $250,000 and $500,000 are adjusted by 10% on the first $250,000 and 5% on the remainder to a maximum of $37,500. Northern bids on contracts greater than $500,000 are adjusted by a maximum of $37,500.

Record of Recommendation 82-31-4 also directed contract authorities to start maintaining records of the number and value of contracts awarded to Northern contractors, as defined in the Policy, and of cases where a contract was awarded to other than the lowest bidder. The feasibility of maintaining a registry of all approved Northern contractors was also investigated, and subsequently approved.

3.3 Principles Governing Northern Preference

1. Northern residents should receive every opportunity to benefit from dollars spent in the North.

2. Value for money should be obtained for goods and services purchased.

3. All firms dealing with the GNWT will be treated fairly and consistently.

4. All firms dealing with the GNWT will be subject to uniform standards of performance.

3.4 Subsequent Amendments to the Northern Preference Policy

January, 1984	The definition of a Northern contractor is amended to reflect that contractors and suppliers must provide relevant services to NWT residents and maintain an inventory of applicable goods in the NWT in order to qualify for the application of preference (Record of Recommendation 84-1-7).
	A Northern Preference Policy Review Committee was established to review the existing Policy, and develop a revised draft for consideration by the Executive Council.
April, 1984	Record of Recommendation 84-7-7 changed the name of the Policy to the 'Business Incentive Policy', and directed the Minister of Economic Development and Tourism to seek the views of the NWT Business Council on issues related to the Policy prior to further submission of proposed amendments.
December, 1984	The definition of a 'Northern Contractor' is amended to require at least 51% ownership by Northern residents in the case of limited companies, co-operatives and partnerships, and ownership by a Northern resident in the case of a sole proprietorship. Non-resident contractors who had carried on business in the NWT for ten years, and met the other criteria, are deemed to be Northern Contractors for purposes of the Policy. In addition, general contractors qualifying under the Yukon Preference Policy are deemed to be Northern Contractors for construction contracts only (Record of Recommendation 84-22-4).

December, 1984 cont'd

The schedule of applicable adjustments (or 'incentives') is amended to that which is still in effect:

Under $250	goods purchased directly from Northern Contractor using a Local Purchasing Authority (LPA)
Under $5,000	a 20% bid adjustment
$5,000 to $1,000,000	a 10% bid adjustment
$1,000,000 to $2,500,000	10% bid adjustment on the first $1,000,000 plus 5% on the remainder, to a combined max of $175,000
Over $2,500,000	a maximum bid adjustment of $175,000

In addition, the amended Policy provided for the establishment of Regional Qualification Committees to rule on applications for registration as a Northern Contractor.

February, 1985

The definition of a Northern Contractor is again amended such that a non-resident must have carried out business in the NWT **for ten years prior to December 13, 1984, and maintained a physical presence in the NWT** to be deemed a Northern Contractor (Record of Recommendation 85-S(3)-1).

A new definition - 'Northern Supplier' - is added: In addition to the other criteria, "...a business which is a supplier of goods and maintains a place of business in the NWT from which the public has access to and can purchase directly from an inventory stock shall be deemed to be a Northern Contractor..."

The February '85 amendment also established an appeal procedure with respect to rulings made by the Regional Qualification Committees.

4 ADMINISTRATION OF THE POLICY

The main administrative functions related to the Policy are:

1. maintaining records of the number and value of contracts awarded to Northern Contractors versus other contractors; and the number and value of contracts awarded by application of the Policy;

2. receiving and ruling on applications for registration as a Northern Contractor

3. maintaining a registry of all approved Northern Contractors;

4. enforcing the provisions of the policy respecting the requirements to remain in good standing as an approved Northern Contractor;

5. responding to public inquiries concerning the Policy; and

6. promoting increased awareness in the NWT business community of the Policy and its benefits.

Each department and agency is responsible for maintaining the records noted in the first function. The information is summarized at yearend in annual reports published by each department and agency.

Application forms for registration as a Northern Contractor are simple, short - one page - and available at all GNWT offices (see Appendix 4). An applicant submits a completed application form, evidence of compliance with the legal requirements to carry on a business, and proof of Northern residency of owners, to a Qualification Committee in the Region where the applicant has his or her head office. Qualification Committees are comprised of representatives from GNWT departments, and chaired by the respective Regional Director. Yellowknife-based applicants submit the required information to the Chief, Supply Services, Department of Government Services, who chairs a six-person Yellowknife Qualification Committee.

As mentioned earlier, the February, 1985 amendment to the Policy established an appeal procedure with respect to rulings made by the Qualification Committees. All appeals are referred to a six-person Appeal Committee chaired by the Deputy Minister of Government Services. Recommended rulings are forwarded to the Minister of Government Services for decision.

The other administrative matters - registry maintainance, enforcement, and public relations are handled by the Head, Procurement Support (formerly the Business Incentive Officer), Department of Government Services.

5 RELATED POLICIES, DIRECTIVES AND INITIATIVES

5.1 Use of Commercial Accomodation

The Department of Public Works and Highways reviews contracts - prior to tendering - to see that wherever possible local accomodation can be used. The Department directive states in part:

On contracts where the feasibility of establishing a labour camp exists, and/or where the use of a Government of the N.W.T. building for accomodation is possible, including those structures under construction, D.P.W.& H.will examine the situation to determine if, as part of our tender call, we will be prohibiting a contractor from establishing a labour camp and/or using Government of the N.W.T. owned facilities.

5.2 Selection of Architectural/Engineering Consultants

As mentioned previously, the provisions of the Business Incentive Policy do not apply to contracts for architectural and engineering services. However, Public Works and Highways Directive Number 90-1 states in part:

The Department of Public Works and Highways will use private sector Architectural and Engineering firms to perform specialized services not available within the Public Service. Such services shall normally be obtained through the use of a competitive process which ensures qualified firms or individuals are not omitted from consideration and those qualified are given an opportunity to share in the available work. In support of Government of the Northwest Territories goals and objectives, preference will be extended to N.W.T. firms.

5.3 Local/Northern Involvement Reporting

Since July, 1985, Public Works and Highways has required contractors to report on the amount of local and northern involvement planned for, and actually achieved on, contracts over $20,000. Appendix B-2 of the 'Major Works Tender Form' states in part:

> In addition to the bid adjustment given under the Business Incentive Policy, it is the intent of the G.N.W.T. that Local/Northern Involvement be used to the fullest extent possible on this project...
>
> Reporting requirements include payroll, materials, equipment, transportation, and accomodation. Reporting is divided between Northern Contractors (and Subcontractors) as defined in the Business Incentive Policy, and Local Contractors (and Subcontractors), defined as a Northern Contractor with an office in the community where the work is undertaken.

5.4 Local/Northern Employment

In addition to reporting on the value of local and northern involvement in contracts, Public Works and Highways **requires** contractors to utilize local labour in undertaking work. Appendix B-3 of the 'Major Works Tender Form' states in part:

> The Contractor is required to contact the nearest available Employment Center or Outreach Office ...to determine the availability of capable local labour prior to the commencement of work, and on an ongoing basis as additional labour is required. The G.N.W.T. will check with the Employment Center or Outreach Office to ensure this requirement is being met.

Recently, the Northwest Territories Housing Corporation has added a labour section to its Construction contract. In many ways, it is similar to the approach utilized by Public Works and Highways. Section 10 of the Housing Contract states in part:

> The Contractor shall, in the performance of the Work, employ labour from the locality where the Work is being performed to the extent it is available...
>
> It shall be a requirement of the Contract that the successful Contractor will have meetings prior to commencement of construction, during construction, and at contract completion to ensure that local people are hired to the best possible extent.

Such requirements not only complement, but emphasize the intent of the Business Incentive Policy to "promote the use of Northern labour".

5.5 Privatization Policy

The Privatization Policy (61.11) provides for arranging the delivery of existing government programs and services by the private sector, **through registered businesses employing Northerners.** The 'Private Sector' is defined in the Privatization Policy to be:

> the aggregate of all businesses registered in the Northwest Territories and eligible under the Business Incentive Policy other than those owned or controlled by governments.

5.6 Leasing of Improved Real Property

The Government of the Northwest Territories provides office space, staff accomodation, and other facilities in support of government programs and services. The Policy on Leasing of Improved Real Property (32.01) states in part:

> In providing facilities, the GNWT may assist the development of northern business opportunities through leasing based on the following principles:
>
> The GNWT will attempt to lease at no greater cost than that of ownership. However, the GNWT may be prepared to pay a reasonable premium in support of NWT business development...

The premium that may be paid in the support of the development of northern business will not exceed ten (10%) per cent, in terms of the present value of proposed lease payments.

5.7 Timing of Payments Directive

The Timing of Payments Directive (Index 803-3 of the Financial Administration Manual) provides for the payment of invoices from Northern Suppliers or Contractors, as defined in the Business Incentive Policy, within twenty (20) days of receipt of the invoice or of the goods or services, whichever is later; invoices from all other suppliers are due within thirty (30) days from receipt of the invoices or of the goods or services, whichever is later.

6 POLICY INITIATIVES IN OTHER JURISDICTIONS

6.1 Public Sector Purchasing

There are three major aspects of public sector purchasing practices that have an impact on industry development opportunities:

1. control of the opportunities to bid;
2. procedures for evaluating bids and awarding contracts;
3. supply development initiatives undertaken to overcome supply gaps or replace imports from other provinces/countries.[1]

The federal government, all provinces and the Yukon Territory make use of at least one of the above initiatives. British Columbia, Quebec, Newfoundland and the Yukon have instituted formal provincial/territorial content preference policies. The federal government and Ontario have essentially a "Buy Canadian" policy; the Maritime provinces (with the exception of Newfoundland) employ a "Buy Maritimes" approach. The Prairie provinces give preference to a provincially-based supplier essentially to break a low-bid tie.

In general, control of the opportunities to bid - the bid solicitation process - is the most widely implemented initiative for encouraging local business. The tendering and bid evaluation practices of the federal government, the provinces and the Yukon will be detailed in the Second Report.

[1] "Alberta Purchasing Practices", an unpublished 1986 Report prepared for the Alberta Government

6.2 Intergovernmental Task Force on Barriers to Interprovincial Trade

In 1985, the Federal, Provincial and Territorial Ministers responsible for regional economic development established a joint task force to:

1. identify and examine barriers to interprovincial trade;

2. assess the effects barriers are having on regional development; and

3. examine the prospects and recommend opportunities for increasing interprovincial trade.

A February, 1986 Task Force report proposed consideration of a moratorium on new barriers, and suggested establishment of a process for reducing or eliminating barriers to interprovincial trade. Subsequent meetings mandated a Committee of Ministers to accelerate consultations among governments to remove obstacles to interprovincial trade; and established the following priorities for consideration:

1. **government procurement**
2. marketing practices for alcoholic beverages
3. employment standards
4. transportation regulations.

A draft Memorandum of Understanding, if executed, would commit the Federal, Provincial and Territorial Governments to a moratorium on new barriers, and the reduction of existing barriers to interprovincial trade in goods and services. However, the Executive Council has recommended that the Minister of Economic Development and Tourism be authorized to sign the Memorandum subject to revisions in the wording of the Memorandum that would reflect "a broad best-efforts moratorium on the new barriers, subject to compelling considerations of provincial and territorial economic development" (Order in Executive Council 87-8-17).

7 ECONOMIC OVERVIEW

In the simplest terms, evaluation is a two-step process: measuring what are believed to be the results of a policy or program; and linking the observed results with such a policy or program. The first step is straightforward; deciding **what** to measure and **how** to measure are the crucial concerns.

It is the second step that can provide pitfalls for the evaluators, because there are usually other factors which may have more strongly influenced the observed results than the policy/program believed to be responsible. Thus the results of this evaluation of the Business Incentive Policy should be placed in the context of the general and on-going changes in the economy of the Northwest Territories during the period of time under review.

Rather than provide a complete documentation of the territorial economy (see 'The Northwest Territories: Economic Review and Outlook 1987' prepared by the Policy and Planning Division of Economic Development and Tourism, Tabled Document Number 56-87(1)) only those variables pertinent to a discussion of the Policy will be included in the Second Report. Those variables are:

Employment
Business start-ups
Local vs. Import expenditures

8 PHASE ONE DATA COLLECTION PROCEDURES

8.1 Content

Two main categories of data were collected as part of Phase One of the evaluation: contract summary information and sample bidding information. In both cases, data were collected from Government Services, Public Works and Highways, and the NWT Housing Corporation for the years 1982/83 to 1986/87 inclusive. Data sources are listed in Appendix 5.

Contract summary information includes:

-the number and value of contracts awarded to Northern businesses each year

-the number and value of contracts awarded to Southern businesses each year

-the number and value of contracts awarded on the basis of application of the Policy in each year

Sample bidding information includes:

- -the names and origin (Northern or Southern) of all bidders for a sample of contracts for each year
- -the amount bid by each bidder
- -the winning bidder's name and bidprice

8.2 Methodology

Procedures for determining the sample from which to extract data varied slightly for each department. With respect to Government Services, the following steps were taken:

1. The HQ Procurement Manager and all Regional Managers were asked to submit the numbering sequence and total number of formal tenders (value greater than $3,000) let in each year.

2. From the total number of tenders let for each year, the GNWT Bureau of Statistics developed random sampling and selection procedures in order to choose a sample of tenders which would provide a fairly high level of accuracy in estimating overall trends[2].

3. Each Regional Manager was provided with a list of the requested tenders, plus a Data Entry Form (see Appendix 6) for each tender, and asked to provide the required information by completing the Data Entry Forms. HQ information was obtained directly by Secretariat staff.

4. The information from the completed Data Entry Forms was entered into a microcomputer using a software program called dBASE III Plus.

With respect to Public Works and Highways, contracts were first split into two groups: those over $100,000 in value, and those under $100,000. For contracts greater than $100,000, bidding information was obtained directly from the 'Annual Contracts Report Summary'. All contracts in this group were entered into the database. For smaller contracts, the sampling and collection procedures enumerated above were used.

[2] In technical terms, the desired level of precision was plus or minus 10% at a 90% confidence interval

The Northwest Territories Housing Corporation maintains two separate divisions to handle purchasing and construction contracts: Materials Management (now called Corporate Services); and Construction/Development, respectively.

Materials Management is exclusively a Headquarters function. Thus, the required information was available in Yellowknife. Virtually 100% of the tenders for supply of building materials were sampled.

Construction contracts were split at $100,000 into two groups, consistent with the sampling and collection methods employed for Public Works and Highways data. Information was obtained for nearly all contracts over $100,000; smaller contracts were sampled to the desired level of precision discussed above.

In the case of Housing Corporation construction contracts, two shortfalls in data collection are noteworthy:

1. No construction was undertaken in 82/83, so no data are available for the base year;

2. Some District Offices did not have formal tender data, so all required contracts less than $100,000 were obtained from Headquarters only.

9 PHASE ONE DATA ANALYSIS PROCEDURES

All analyses were performed using the programming capability of dBASE III Plus. The data were tabulated as shown in the following two sections.

9.1 From The Summary Contract Information:

1. Number of Approved Northern Contractors by:
   a) Region
   b) commodity/contract type

2. % Distribution (North/South) of awarded contracts by:
   a) Department and year
   b) Department, year and Region

3. Contracts awarded on basis of the Policy by business, Region, and year

9.2 From The Sample Bidding Information:

1. Distribution of contracts by:
   a) year and Department
   b) year, Department and Region
   c) year, Department and contract size

   according to the following categories:
   i) Northern bidders only
   ii) Southern bidders only
   iii) Northern and Southern bidders, further disaggregated according to
      -Northern winners, preference applied
      -Northern winners, no preference
      -Southern winners

2. % Distribution (North/South) of bidders in terms of number of Northern firms versus Southern firms bidding for GNWT contracts, by Department, year and contract size

3. Average number of bidders per bid, by Department and year

4. Average bid differentials by Department and year, in terms of the difference between:
   a) high bid and low bid
   b) high Northern bid and low Southern bid
   c) high Northern bid and low Northern bid

5. Cumulative % distribution of contracts awarded to Northern businesses

9.3 Income Tax Analysis

In addition, Phase One includes an analysis of the estimated return to the Government of the Northwest Territories in the form of income taxes generated from promoting employment and the purchase of local goods and services. The model used in the analysis was developed for the Yukon Government[3]; however, the evaluators have modified the model to utilize NWT data.

[3]Mackay & Partners Management Consultants: Review of the Yukon Business Incentive Policy; 1986

10 BUSINESS SURVEY DESIGN

Phase One of the evaluation was concerned with the collection and analysis of data which was readily available from GNWT records. In Phase Two, the focus shifted to the private sector. A mailout questionnaire was devised as the primary means of collecting data from both Northern and Southern businesses (see Appendix 7). Canadian Facts Limited, a Vancouver-based market research firm, was contracted to design the questionnaire and to provide recommendations respecting the analysis of the responses. A draft questionnaire was prepared, and pre-tested on fifteen Yellowknife-based businesses. Comments from the owners or managers of these businesses, and the members of the Evaluation Study Team, were taken into consideration in the preparation of a final version of the questionnaire.

10.1 Survey Objectives

The objectives of the Business Survey were threefold:

1. to determine the more significant value-added benefits of the Policy, such as employment created at the level of the individual business, increased capital investment that may have been prompted by the Policy, and percentage increases in business revenue and profits that may have been generated by virtue of the Policy;

2. to obtain the opinions of members of the business community on what the Policy is perceived to be doing, and what it should be doing; and

3. to provide an opportunity for members of the business community to speak on what other measures, if any, the GNWT could initiate to achieve the stated objectives of the Business Incentive Policy.

10.2 Phase Two Sampling/Analysis Procedures

The Phase One database contains bidding information from approximately four hundred businesses: two hundred Northern firms and two hundred Southern firms. A random sample was chosen from each group, based on the desired levels of precision developed for Phase One data collection. Questionnaires will be mailed out with a covering letter explaining the reasoning and importance of the survey. A postage-paid return envelope will be included in the package.

It is anticipated that the services of Area Economic Development Officers will be utilized to follow up with Northern firms who have not responded after four weeks. In the case of Southern firms, telephone follow-up will be employed.

Survey question responses will be inputted to a microcomputer, and analysed using Lotus 123 and dBASE III Plus programs. All data will be analysed in aggregated form, to preserve the confidentiality of responses from individual businesses.

11 CONCLUSION

This part of the report has focussed on the evaluation process. The evaluators have attempted to gather evidence in order to estimate the benefits of the Business Incentive Policy that have accrued to the economy of the Northwest Territories. At the same time, the costs, both direct and indirect, have been estimated as well. High standards of objectivity and professionalism have been maintained throughout, from the initial assessment, to the collection and analysis of data, to the drawing of conclusions based on the analysis. The results of the analysis, and relevant conclusions, will be the focus of the second part of this report. It will be available in late July.

APPENDICES

Example of the Bid Adjustment Process	Appendix 1
Members of Evaluation Study Team	2
Terms of Reference	3
Registration Application Form	4
Data Sources	5
Data Entry Form	6
Business Survey Questionnaire	7

APPENDIX 1: EXAMPLES OF THE BID ADJUSTMENT PROCESS

BUSINESS INCENTIVE POLICY

Application of Benefits

The following examples illustrate the application of provision of the policy in award of goods contracts.

In all examples:

NOR - Approved "Northern Contractor" in accordance with B.I.P. Registry.

NWT - Non approved N.W.T. firm.

SOU - Southern firm.

Example A

Firm	Bid	Adjusted Bid
NOR	$1,000.	$800.
NWT	$1,010.	-
SOU	$1,020.	-

Contract awarded to "NOR" in the amount of $1,000.

Example B

Firm	Bid	Adjusted Bid
NOR	$10,000.	$9,000.
NWT	$ 9,500.	-
SOU	$ 9,100.	-

Contract awarded to "NOR" in the amount of $10,000.

Example C

Firm	Bid	Adjusted Bid
NOR	$1,000.	$800.
NWT	$ 775.	-
SOU	$ 795.	-

Contract awarded to "NWT" in the amount of $775.

Example D

Firm	Bid	Adjusted Bid
NOR	$10,000.	$9,000.
NWT	$ 9,500.	-
SOU	$ 8,900.	-

Contract awarded to "SOU" in the amount of $8,900.

Example E

Firm	Bid	Adjusted Bid
NOR-1	$1,000.	$800.
NOR-2	$ 950.	$760.
NWT	$ 925	-
SOU	$ 800.	-

Contract awarded to "NOR-2" in the amount of $950.

Example F

Firm	Bid	Adjusted Bid
NOR	NO BID	-
NWT	$10,000.	-
SOU	$ 9,500.	-

Contract awarded to "SOU" in the amount of $9,500.

SOURCE: Government Services

APPENDIX 2: MEMBERS OF THE EVALUATION STUDY TEAM

The members of the Evaluation Study Team are:

Garry Singer	Priorities and Planning Secretariat
Bob Paulin	Government Services
Joe Auge	Public Works and Highways
Bob Loftus	NWT Housing Corporation
Eric Christensen	Economic Development and Tourism
Tom Liss	Finance

APPENDIX 3: TERMS OF REFERENCE

BUSINESS INCENTIVE POLICY EVALUATION STUDY TERMS OF REFERENCE

Prepared for: Priorities and Planning Committee

Prepared by: Priorities and Planning Secretariat

December 1, 1986

1.0 INTRODUCTION

The Business Incentive Policy provides for the adjustment of contract bids from qualified Northern Contractors in order to promote the use of Northern labour and materials purchased in the North, and to encourage the development and competitiveness of Northern businesses.

The Policy, as revised February 28, 1985, stipulates that a review will be conducted within two years. In the "Interim Report on the Business Incentive Policy" tabled in the February, 1986 sitting of the Legislative Assembly, the then Minister of Government Services, the Honourable Tom Butters, identified the Priorities and Planning Secretariat as the lead agency in conducting the review of the Policy.

An Evaluation Study Team was established in order to: provide input in assessing major evaluation issues and methods; and to make recommendations to the Minister of Government Services respecting the set of issues that will comprise the focus of the Evaluation Study.

The Study Team is comprised of representatives from:

Priorities & Planning Secretariat - Chair
Public Works and Highways
NWT Housing Corporation
Government Services
Economic Development and Tourism

2.0 TOPICS AND ISSUES TO BE ADDRESSED IN THE EVALUATION

2.1 There are a number of topics of concern that, while not necessarily requiring a rigorous evaluation, should nevertheless be presented and discussed as part of the background or context of the Policy:

the structure and growth of the NWT economy from 80/81 to the present, in order to cover the pre-Preference Policy era, the Preference Policy era and the current, or Business Incentive Policy, era;

the response of the business community and affected/interested organizations to the Policy;

the "fit" of the Policy in departmental/ regional portfolios of programs and services with similar objectives; and

trends in preference policies, and attitudes towards them, in other jurisdictions.

2.2 The major issues arise, in part, from consideration of the achievement of the objectives, both stated and perceived, of the Policy. The stated objectives of the Policy are:

1. Promote the use of Northern labour.
2. Promote the use of materials purchased in the North.
3. Encourage the development of Northern business.
4. Encourage the competitiveness of Northern business.

The perceived objectives of the Policy, as discussed with the members of the Evaluation Study Team, are:

1. To increase business opportunities for Northern residents.
2. To encourage the expansion of existing Northern businesses.
3. To assist all Northern contractors.
4. To increase "value-added" in the Northern economy.

2.3 The major issues also arise from consideration of the observed impacts and effects of the Policy, and alternative means of accomplishing the stated objectives. Stated another way, the issues to be addressed in the Evaluation Study are:

The type and magnitude of benefits that have resulted from the Policy, in terms of:

- Business Growth
- Competitiveness of Northern Business
- Employment
- Capital Investment
- NWT Gross Domestic Product;

The type and magnitude of the costs of the Policy, in terms of:

- Administration Costs
- Incentives Paid
- Changes in Wholesale Price Levels
- Changes in Corporate Concentration
- Excessive Corporate Profits;

The desirability of continuence of the Policy; and

The changes required, if any, in the provisions of the Policy and/or the current delivery system.

3.0 WORK PLAN

3.1 Evaluation Approach and Design

In order to come to grips with the influence of non-Policy variables on trends in employment and other economic activity, and to minimize the difficulties in obtaining data, a two-phased approach is recommended:

PHASE ONE

compile a database of variables for which information is readily available in GNWT records, statistical publications and legal registries, and which relate, in some way, to the evaluation issues;

analyse the collected data in order to identify significant trends and presumably valid linkages with the Policy;

identify, for reporting in a strictly confidential manner and for further study, groups of companies associated with the significant trends and linkages;

PHASE TWO

compile a database of variables, by surveying the identified group of companies, in an attempt to measure the more significant value-added benefits and indirect costs of the Policy;

analyse the collected data in order to identify linkages between the measured benefits/costs and the Policy;

undertake any other analyses which may become apparent or desirable based on the results of Phase One.

3.1 Criteria for Measurement of Impacts and Effects

3.1.1 Type

Impacts and effects should be discernible as economic variables, such as number of firms, employment, sales, profit, expenditure, commodity/contract value.

3.1.2 Magnitude

Each selected economic variable should have a reasonably accurate value assigned to it.

3.1.3 Relationship to Policy

To be identified as such, impacts and effects should have resulted from implementation of the Policy. There should normally be a cause-and-effect relationship. However, the degree of relationship should not be important; evidence of the existence of the relationship is sufficient. This particular criterium will apply more to Phase Two activities than to those undertaken in Phase One.

3.2 Information to Collect/Develop in Phase One

3.2.1 Growth in Northern businesses in general, and in registered Northern Contractors;
3.2.2 Distribution in the bidding for, and awarding of, GNWT contracts between Northern and Southern firms;
3.2.3 Administration Costs and Incentives Paid;
3.2.4 Cost of Selected Goods North/South

A more detailed listing of the information to be gathered in Phase One is given in Appendix A.

3.3 Phase One Data Collection

3.3.1 Data Sources

Activity Reports and Transaction/Tender files of the "Primary Users" - Government Services, Public Works and Highways, and the Housing Corporation

Business Incentive Registry - Government Services

Business Licencing and Registry - Justice and Public Services

1985 NWT Business Directory Statistical Report and related files - NWT Statistics Bureau

GNWT Transactions/Contracts - Finance

A more detailed listing of the Phase One data sources is given in Appendix B.

3.3.2 Data Collection Methodology

Most of the information identified in section 3.2 can be obtained directly from departmental activity reports, at least for the period 1985/86 and 1986/87. With respect to the percentage distribution of bids, cost of selected goods north/south, and all information prior to the 1985/86 fiscal year, appropriate sampling techniques, using reasonable precision levels, will be employed. All collected data will be stored on the Secretariat's microcomputer using "dBase III Plus" software.

3.3.3 Data Analysis Methodology

Rudimentary analytic techniques will be applied to the collected data in order to derive summary statistics such as aggregates, means, and standard deviations, and to identify trend lines. The choice of analytic techniques will be at the discretion of the evaluators, in consultation with the Bureau of Statistics.

3.4 Other Information Collected in Phase One

Documentation of the background, or context, of the Policy is an important component of the evaluation. The evaluators will be required to collect information previously described in Section 2.1 and summarized here:

Structure and Growth of the NWT Economy
Consistency in Implementation of the Policy
Degree of Congruency with other GNWT Programs
Preference Policies in other Jurisdictions
Trends in Barriers to Interprovincial Trade
Potential Impact of Canada/US Free Trade Talks

Gathering information of this nature will essentially require telephone contacts and compilation of narrative material form departament officials, the Bureau of Statistics, and the Government Library.

3.5 Information to Collect/Develop in Phase Two

Inasmuch as Phase One has provided a broad overview of the NWT economy, a documentation of the implementation of, and response to, the Business Incentive Policy, and a general examination of the growth and competitiveness of Northern Contractors, Phase Two should focus on the impacts and effects of the Policy at the level of individual firms. Specific issues to be addressed in this phase are: impacts on employment and the NWT Gross Domestic Product, and changes in corporate concentration. In other words, the value added to the to the economy on one hand, and the effects of the Policy, if any, on small businesses versus larger businesses on the other.

A more specific listing of the information to be compiled during Phase Two is given in Appendix A.

3.6 Phase Two Data Collection

3.6.1 Sources

Representative samples of both Northern and Southern firms should be derived from the data collected during Phase One. The categories to be represented are:

those in which the bid of a Northern firm is lower than that of a bidding Southern firm;

those in which the bid of a Southern firm is lower than that of any Northern firm even after application of preference;

those in which no Southern firms are bidding; and

those for which the required goods/services are not available (or were not available) from any Northern firm.

Data will be gathered by survey questionnaire. The size of each sample will necessarily be large enough to allow for an anticipated high rate of non-response.

3.6.2 Business Survey Design/Delivery

The design of the survey questionnaire will be appropriate for the type of information requested. Follow-up with Yellowknife firms will be by Secretariat Staff; follow-up in other communities should be provided by the local Area Economic Development Officer.

3.6.3 Data Analysis Methodology

Phase Two analytic methodology should be similar to that employed during Phase One. Input/Output Industry Analysis would be a useful technique to employ in estimating value-added benefits, and will be used at the discretion of the evaluators.

3.7 Responsibilities of Secretariat Staff/ Evaluation Team

Under the direction of the A/Secretary to the Priorities and Planning Committee, Secretariat staff will be responsible for data collection, maintenance, and analysis, as well as the drafting of relevant correspondence and reports for the review and signature of the Minister of Government Services.

Evaluation Team members will be regularly informed of progress, provide input and advice respecting data sources and methodology, and review all reports prior to submission to the Minister.

3.8 Consultation

The Minister of Government Services shall regularly inform, and seek the input of, the NWT Business Council, the NWT Construction Association and Chambers of Commerce in the conduct of this evaluation.

3.9 Timetable

Phase One commences	Dec 15/86
Interim Report #1 to the Minister	Feb 20/87
Phase Two commences	Feb 23/87
Interim Report #2 to the Minister	Mar 31/87
Draft Final Report to the Minister	May 15/87
Final Report to the Minister	May 31/87

4.0 ORGANIZATIONAL AND REPORTING RELATIONSHIPS

Executive Council

Minister of Government Services

Deputy Minister to the Executive Council

Bureau of Statistics	A/Secretary Priorities and Planning Committee	Evaluation Team
Secretariat Staff		AEDOs (through Dept. of Economic Development and Tourism)

5.0 EVALUATION STUDY COSTS

5.1 Persondays of Employee Time*

Secretariat Staff	150
Government Services Staff	20
Public Works and Highways	10
Housing Corporation	10
Economic Development (HQ)	10
Bureau of Statistics	20
AEDOs	100
	320

5.2 Sources and Uses of Funds*

Expenses:		Sources:	
Casual Researcher Position	$20,000	Government Services	$20,000
Printing/Artwork	2,000	Secretariat	7,000
Communications	2,500		
Miscellaneous	2,500		
	$27,000		$27,000

*Funded from existing resources

6.0 PROCEDURES FOR AMENDING THE WORK PLAN

6.1 Origin

Requests to modify a task contained in the foregoing Work Plan, or add or delete tasks with respect to the Work Plan may originate from any source. Requests should be channeled through the Deputy Minister to the Executive Council or a member of the Evaluation Team, and directed to the A/Secretary to the Priorities and Planning Committee.

6.2 Authority

Changes to the Work Plan may be authorized by the A/Secretary to the Priorities and Planning Committee, following consultation with the members of the Evaluation Team.

APPENDIX ONE: INFORMATION TO BE COMPILED

1.0 Information to Compile/Develop in Phase One:

1.1 Number of Northern Firms by:
contract size; commodity/contract type; region
1.2 Percentage Distribution of firms awarded contracts by:
year; contract size; region
1.3 Percentage Distribution of bids by above groupings where:
preference is a factor
Northern firm low bidder
goods/services unavailable in the North
1.4 Number and origin of bidders per bid
1.5 Bid differentials
1.6 Capital Investment
1.7 Administration Costs
1.8 Incentives Paid by:
contract size; commodity/contract type; region
1.9 Cost of Selected Goods North/South

2.0 Other Information Collected in Phase One:

2.1 The structure and growth of the NWT economy from 80/81 to the present, in order to cover the pre-Preference Policy era, the Preference Policy era and the current- or Business Incentive Policy-era;
2.2 the "fit" of the Policy in departmental/ regional portfolios of programs and services with similar objectives; and
2.3 trends in preference policies, and attitudes towards them, in other jurisdictions.

3.0 Information to Compile/Develop in Phase Two:

3.1 Percentage Distribution Resident and Non-resident Employees
3.2 Percentage Distribution of Payroll
3.3 Multiplier Effects
3.4 Fixed Asset Growth
3.5 Corporate Income Taxes Paid
3.6 Number of Contracts Awarded to Individual Firms
3.7 Value of Assets of leading Northern Firms
3.8 Return on Equity
3.9 The degree of acceptance of the Policy by the business community and affected/interested Organizations

APPENDIX TWO: PHASE ONE INFORMATION SOURCES

1.0 General:

1.1 Business Incentive Interim Report to 12/85
1.2 1985 NWT Business Directory Statistical Report
1.3 Employment Creation by Province 1978-84
1.4 Territorial Economic Accounts
1.5 DPW&H Directive - Selection of Architectural and Engineering Services
1.6 GNWT Transactions and Contracts by GSN from 1980/81 to present
1.7 New Business Start-ups

2.0 Local/Northern Involvement:

2.1 DPW&H Report Summary to level of detail of: Value of Northern and Value of Local Involvement by Contractor, % of Total Contract Value, and Region
2.2 Individual Contractor Reports to level of detail of: Value, by Type of Cost, expended by General Contractor and Subcontractors

3.0 Construction/Service/Supply Contracts:

3.1 Housing Corporation Annual Contracts Report to level of detail of: Contractor, Contract Description,Northern/Southern, Amount; including Summaries by Contract Type and Region

3.2 Housing Corporation Individual Contract Files, by Contract to level of detail of: Tenderers, N/S, Amount of Tenders

3.3 DPW&H Annual Contracts Report Summary - 82/83, 83/84, 86/87 (Quarterly Contracts Report Summary - 84/85, 85/86) to level of detail of: Project Location, Contractor, Contract Description, N/S, Contract Amount, Date Awarded; including Summaries by Contract Type and Region

3.4 DPW&H Bid Summaries to level of detail of: Tenderers, N/S, Amount of Tenders

3.5 Avg. No. Bidders/Job for all DPW&H HQ Contracts and all DPW&H Contracts >$500,000

3.6 Government Services Monthly Activity Reports for all HQ Contracts and all Contracts >$5,000 to levelof detail of: Supplier, Commodity Code, N/S, Amount of Contract; including Summaries by Commodity Code and Region (Note: Files for Contracts <$5,000 maintained in Regions)

3.7 Government Services Individual Transaction Files to level of detail of: Tenderers, N/S, Amount of Tenders

3.8 Business Incentive Registry of Approved Northern Contractors by Commodity Code

Northwest Territories

APPENDIX 4:

Application for Registration as a Northern Contractor

The Government of the Northwest Territories is prepared to grant incentives to Northern Contractors with regard to its contracting for the provision of Construction, Services and Goods as stipulated in Policy 11.09.

In order to be eligible to be registered as a Northern Contractor, the following information must be provided:

1) FULL AND COMPLETE LEGAL NAME OF BUSINESS CONCERN FOR WHICH APPLICATION IS MADE

2) TYPE OF BUSINESS (SPECIFY TRADES, SERVICES OR GOODS INVOLVED)

3) MAILING ADDRESS(ES) FROM WHICH BUSINESS IS CARRIED ON IN THE N.W.T. (IF NECESSARY, ATTACH LIST)

POSTAL CODE TELEPHONE No

POSTAL CODE TELEPHONE No

4) MAILING ADDRESS OF HEAD OFFICE (IF DIFFERENT FROM ABOVE)

POSTAL CODE TELEPHONE No

5) NAME AND MAILING ADDRESS OF RESIDENT MANAGER

POSTAL CODE TELEPHONE No

The undersigned certifies that the above information is correct. The undersigned also certifies that he has read the Government of the Northwest Territories' Business Incentive Policy Definition number 6, which is reproduced on the reverse hereof, and that the applicant qualifies as a Northern Contractor as therein defined. It is also certified that the applicant has complied with and presently meets all requirements prescribed by law for the carrying on of business within the Northwest Territories, and that the person so certifying is authorized to do so for and on behalf of the subject business. Misrepresentation will result in the benefits of the Policy not being made available.

Signed at _____ this _____ day of _____ 19____

Witness: _____

Name: _____

Signature: _____

Position/Title _____

Business Name: _____

NWT 1419 - 18/0288

Proof of the following is to be enclosed with the application

1) Registration of your business with Legal Registries
2) Registration with the N.W.T. Workers' Compensation Board
3) Valid business licence
4) Northern Residency of Principal Owner
5) If applicable, at least 51% ownership by Northern Residents

Applications are to be mailed to appropriate address indicated on the reverse

APPENDIX 5: DATA SOURCES

1.0 **General:**

1.1 Business Incentive Interim Report to 12/85
1.2 1985 NWT Business Directory Statistical Report
1.3 Employment Creation by Province 1978-84
1.4 Territorial Economic Accounts
1.5 DPW&H Directive - Selection of Architectural and Engineering Services
1.6 New Business Start-ups

2.0 **Local/Northern Involvement:**

2.1 DPW&H Report Summary to level of detail of: Value of Northern and Value of Local Involvement by Contractor, % of Total Contract Value, and Region
2.2 Individual Contractor Reports to level of detail of: Value, by Type of Cost, expended by General Contractor and Subcontractors

3.0 **Construction/Service/Supply Contracts:**

3.1 Housing Corporation Annual Contracts Report to level of detail of: Contractor, Contract Description, Northern/Southern, Amount; including Summaries by Contract Type and Region
3.2 Housing Corporation Individual Contract Files, by Contract to level of detail of: Tenderers, N/S, Amount of Tenders
3.3 DPW&H Annual Contracts Report Summary - 82/83, 83/84, 86/87 (Quarterly Contracts Report Summary - 84/85, 85/86) to level of detail of: Project Location, Contractor, Contract Description, N/S, Contract Amount, Date Awarded; including Summaries by Contract Type and Region
3.4 DPW&H Bid Summaries to level of detail of: Tenderers, N/S, Amount of Tenders
3.5 Avg. No. Bidders/Job for all DPW&H HQ Contracts and all DPW&H Contracts >$500,000
3.6 Government Services Monthly Activity Reports for all HQ Contracts and all Contracts >$5,000 to level of detail of: Supplier, Commodity Code, N/S, Amount of Contract; including Summaries by Commodity Code and Region (Note: Files for Contracts <$5,000 maintained in Regions)
3.7 Government Services Individual Transaction Files to level of detail of: Tenderers, N/S, Amount of Tenders
3.8 Business Incentive Registry of Approved Northern Contractors by Commodity Code

APPENDIX 6

BUSINESS INCENTIVE POLICY EVALUATION
DATA ENTRY FORM
for
SUMMARY OF SELECTED TENDER FILES

For Priorities and Planning Secretariat Use Only

PPS File Number _____ Region _____ Year _____

Contract Awarded to _____ Amount _____

For the above Contract , please provide the following:

Bid #	Bidder's Name	Northern or Southern?	Bid Price
1	_____	___	_____
2	_____	___	_____
3	_____	___	_____
4	_____	___	_____
5	_____	___	_____
6	_____	___	_____
7	_____	___	_____
8	_____	___	_____
9	_____	___	_____
10	_____	___	_____

Notes:

APPENDIX 7: GNWT BUSINESS SURVEY

This survey is being conducted by the Department of the Executive, Government of the NWT. The purpose of this survey is to assist in the evaluation of the "Business Incentive Policy", previously known as the "Northern Preference Policy". All information will be handled with the strictest confidence. Information on individual businesses will not be disclosed.

SECTION I: GENERAL DESCRIPTION OF YOUR BUSINESS

1.(a) Which of the following general categories best describes the main activities of the business you presently operate?

Construction and Manufacturing-
- Building Contractor [ ]
- General Contractor - Non-Building [ ]
- Special Trade Contractor [ ]
- Manufacturing [ ]

Transportation -
- Truck Transport [ ]
- Water [ ]
- Air [ ]

Wholesale Trade [ ]

Retail Trade [ ]

Services -
- Personal Services [ ]
- Business Services [ ]
- Health Services [ ]
- Transportation Services [ ]

Other Services [ ]

1.(b) For additional clarification, please identify the main activity of your business.

_____

_____

_____

1.(c) Where is the head office located?

_____

1.(d) Including this location, how many offices, depots or branches does your business operate in the Northwest Territories? _____

1.(e) Please list the communities where you operate any business offices, depots or branches.

_____

_____

_____

_____

2. Including 1987, for how many years has this business operated? Please include any time in which prior operators ran the same business you presently run. TOTAL YEARS _____

3.(a) How many full-time NWT employees on your payroll during 1985 and 1986 lived in the NWT when you hired them?

1985_____ 1986_____

3.(b) How many full-time NWT employees on your payroll during 1985 and 1986 did not live in the NWT when you hired them?

1985_____ 1986_____

3.(c) How many part-time NWT employees on your payroll during 1985 and 1986 lived in the NWT when you hired them?

1985_____ 1986_____

3.(d) How many part-time NWT employees on your payroll during 1985 and 1986 did not live in the NWT when you hired them?

1985_____ 1986_____

SECTION II: THE GNWT BUSINESS INCENTIVE POLICY

4.(a) Are you aware of a GNWT Policy instituted in 1982 called the "Northern Preference Policy" or its 1985 successor, the "Business Incentive Policy?"

Yes [ ] Go to Q.4(b)
No [ ] Go to Q.7(a)

4.(b) Please describe how this policy operates to the best of your understanding.

_____

_____

_____

_____

_____

_____

4.(c) What do you think is the main purpose or goal of this policy?

_____

_____

_____

_____

_____

4.(d) Overall, would you say that you are:

In Favour of the Policy [ ]
Not in Favour of the Policy [ ]
Or, Have no Opinion [ ]

SECTION III: REGISTRATION AS AN APPROVED NORTHERN CONTRACTOR

5.(a) Is your business registered with the GNWT Department of Government Services as an Approved Northern Contractor?

Yes [ ] Go to Q 5(b)
No [ ] Go to Q.6
Don't Know [ ] Go to Q.7(a)

5.(b) When did you apply for registration?

Month:_____ Year_____

5.(c) How long did it take from the time you applied to the time you got final approval for registration? _____

IF YOUR BUSINESS IS REGISTERED, GO TO Q. 7(a)

6. Why hasn't your business registered?

Did not know about the Policy [ ]
Did not know we needed to register [ ]
Not qualified [ ]
Other [ ]

If "Other" please explain:

_____

_____

_____

_____

SECTION IV: BIDDING FOR GNWT CONTRACTS

7.(a) Approximately how many contracts have you bid on for the following GNWT departments in 1986? Approximately how many contracts did you win?

	Contracts Bid On Number	Contracts Won Number
Government Services	_____	_____
Public Works	_____	_____
Housing Corporation	_____	_____

7.(b) Have you bid on any GNWT contracts in the following Regions in 1986? Have you won any?

	Contracts Bid On		Contracts Won	
	Yes	No	Yes	No
Headquarters (YK)	[ ]	[ ]	[ ]	[ ]
Fort Smith Region	[ ]	[ ]	[ ]	[ ]
Inuvik Region	[ ]	[ ]	[ ]	[ ]
Kitikmeot	[ ]	[ ]	[ ]	[ ]
Keewatin	[ ]	[ ]	[ ]	[ ]
Baffin	[ ]	[ ]	[ ]	[ ]

8.(a) What were your business's approximate gross revenues for the calendar year 1986?

Less than $ 100,000	[ ]
$ 100,000 to $ 250,000	[ ]
$ 250,001 to $ 500,000	[ ]
$ 500,001 to $1,000,000	[ ]
Greater than $1,000,000	[ ]

8.(b) Approximately what percentage of the gross revenue of your business for 1986 came from GNWT contracts versus other sales? (Total=100%)

0% to 20%	[ ]
21% to 40%	[ ]
41% to 60%	[ ]
61% to 80%	[ ]
81% to 100%	[ ]

SECTION V: YOUR OPINION OF THE POLICY

9. Overall, what impact do you think the Business Incentive Policy has had on your business?

A Major Positive Impact	[ ]
Some Positive Impact	[ ]
Little or No Impact	[ ]
Some Negative Impact	[ ]
A Major Negative Impact	[ ]
Don't Know	[ ]

10. In which of the following ways has the Business Incentive Policy affected your business? (PLEASE CHECK ALL THAT APPLY)

10.(a) Increase In Staff Who Reside in the North

Yes [ ] How many?_____
No [ ]

10.(b) Increase in Staff Who Reside in the South

Yes [ ] How many?_____
No [ ]

10.(c) Increased Capital Investment (i.e. Purchase of Equipment or Buildings, Leasehold Improvements, etc.)

In NWT		Outside NWT	
Yes	[ ]	Yes	[ ]
No	[ ]	No	[ ]

10.(d) Opened Other Offices or Branches of Your Business?

In NWT		Outside NWT	
Yes	[ ]	Yes	[ ]
No	[ ]	No	[ ]

10.(e) Generated More Revenue or Gross Income?

Yes [ ] Approximate % Increase ____
No [ ]

10.(f) General More Profits or Net Income

Yes [ ] Approximate % Increase ____
No [ ]

10.(g) Diversified Into Other Goods or Services?

Yes [ ]
No [ ]

11. Some southern suppliers and contractors no longer bid on GNWT contracts because of the Business Incentive Policy.

In your opinion, has this situation helped Northern businesses in general to become more competitive, or has it only served to protect Northern businesses from more competitive firms?

Significantly improved competitiveness [ ]

Slightly improved competitiveness [ ]

No effect [ ]

Some protection for non-competitive firms [ ]

Significant protection [ ]

12. The following is a list of statements about the Business Incentive Policy. For each, please indicate whether or not you think the policy <u>should</u> be doing this, and whether or not you think it <u>is</u> doing this.

	Policy Should		Policy is	
	Yes	No	Yes	No
Stimulate Local Employment	[ ]	[ ]	[ ]	[ ]
Encourage New Northern Businesses To Start Up	[ ]	[ ]	[ ]	[ ]
Stimulate Existing Northern Businesses To Expand	[ ]	[ ]	[ ]	[ ]
Provide Protection For All Northern Businesses Against Southern Bidders	[ ]	[ ]	[ ]	[ ]
Help Northern firms compete with Southern firms	[ ]	[ ]	[ ]	[ ]

13. What do you think the GNWT should be doing to assist Northern Businesses and the local economy?

14. Please write in any other comments about the Business Incentive Policy you would like to make.